

## OVERSIGHT BOARD AGENDA STAFF REPORT

**TO:** Honorable Chair and Members of the Oversight Board

**FROM:** Michael Huntley, Staff liaison from the Successor Agency to the former City of Montebello Community Redevelopment Agency

**SUBJECT:** Resolution of the Montebello Oversight Board adopting the Recognized Obligations Payment Schedule for the period of January 1, 2013 to June 30, 2013.

**DATE:** August 15, 2012

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### **BACKGROUND**

The Montebello Redevelopment Agency (“Agency”) was created by the City Council for the purposes of implementing redevelopment activities in the City of Montebello (“City”). The City Council adopted redevelopment plans for the Montebello Hills Redevelopment Project, Montebello Economic Revitalization Project and the South Montebello Industrial Redevelopment Project in accordance with the Community Redevelopment Law (Health and Safety Code § 33000 *et seq.*) (“CRL”). The three redevelopment project areas were found to have a significant number of physical and economic blighting conditions that necessitated adoption of a Redevelopment Plan for these areas. Each Redevelopment Plan authorizes the Agency to receive tax increment revenue to pay for programs and projects that address these conditions consistent with the CRL.

In January, 2011, the Governor announced his intent to eliminate redevelopment agencies as a way to help balance the State budget. The Legislature then enacted and the Governor signed Assembly Bill 1X 26 (“AB 1X 26”) and Assembly Bill 1X 27 (“AB 1X 27”). These bills took effect on June 29, 2011.

AB 1X 26 immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolved redevelopment agencies effective October 1, 2011. AB 1X 27 allowed a community that had created a redevelopment agency to avoid dissolution by adopting an ordinance agreeing to make specified payments to reduce the State budget deficit.

A Petition for Writ of Mandate was filed in the Supreme Court of the State of California on July 18, 2011 (*California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861) (“Litigation”), challenging the constitutionality of AB 1X 26 and AB 1X 27 on behalf of cities, counties and redevelopment agencies and requesting a stay of enforcement. On August 11, 2011, and August 17, 2011, the Supreme Court stayed portions of AB 1X 26, and stayed AB 1X 27 in its entirety during the pendency of the matter.

On December 29, 2011, the Supreme Court issued its final decision in the Litigation, upholding AB 1X 26, invalidating AB 1X 27, and extending all statutory deadlines under AB 1X 26, essentially dissolving all redevelopment agencies throughout the State effective February 1, 2012.

On January 11, 2012, the City Council of the City of Montebello adopted a resolution that the City will be the “successor agency” of the Community Redevelopment Agency of the City of Montebello and responsible for the wind down of the Agency’s affairs. The activities of the City, as successor agency, will be overseen by an Oversight Board, comprised primarily of representatives of other affected taxing agencies, until such time as the debts of the Agency are paid off, all Agency assets liquidated and all property taxes are redirected to local taxing agencies. As a part of this process the Agency adopted an Enforceable Obligations Payment Schedule (“EOPS”) which is a list of payment and obligations allowed to be paid under AB 1X 26.

On January 25, 2012, the City of Montebello Community Redevelopment Agency adopted a resolution amending the Enforceable Obligations Payment Schedule pursuant to Assembly Bill 1X 26. Subsequent to the adoption of the resolution, the City forward copies of the approved resolution to the County Auditor-Controller, State Department of Finance and the State Controller Office before the February 1, 2012 deadline.

As part of AB 1X 26, Successor Agencies are required to adopt a Recognized Obligations Payment Schedule (ROPS) for a period of six months. To date, the Successor Agency has reviewed and approved the first two ROPS documents. On August 13, 2012, the Successor Agency of the former Montebello Community Redevelopment Agency adopted through resolution the third ROPS document for the period of January 1, 2013 to June 30, 2013. When approved, the ROPS allows the Successor Agency to pay the obligations of the former Agency.

## **DISCUSSION**

On January 11, 2012, the City Council of the City of Montebello adopted a resolution that the City will be the “successor agency” of the Community Redevelopment Agency of the City of Montebello and responsible for the wind down of the Agency’s affairs. One of the ongoing official actions taken by the Successor Agency is to adopt a Recognized Obligations Payment Schedule (ROPS) every six months. The ROPS is the Successor Agencies official payment schedule to service all existing obligations and cover administrative costs. Since the Successor Agency has approved ROPS 3 for the period of January 1, 2013 to June 30, 2013, it is now the responsibility of the Oversight Board to review and consider the items identified on ROPS 3. If ROPS 3 is approved as is, the document will then be forwarded to the County Administrative Officer, the County Auditor-Controller and the State Department of Finance for review and approval.

Please be advised that there has not been any change to the ROPS document other than the change in format required by the State Department of Finance. Staff has considered itemizing the changes to the document but it had become too cumbersome. Accordingly, staff will provide the changes verbally at the Oversight Board meeting. Attached to this staff report is the Successor Agency approved ROPS document prepared with the new format. The last page of this document includes a condensed version of ROPS 1 that allows a general comparison of the first and third ROPS documents.

## **Recognized Obligations Payment Schedule**

The Recognized Obligations Payment Schedule identifies the following obligations of the Successor Agency from January 1, 2013 to June 30, 2013:

1. Bonds including the required debt service, reserve set-asides and any other required payments.
2. Loans of moneys borrowed by the redevelopment agency including, but not limited to, moneys borrowed from the Low and Moderate Income Housing Fund.
3. Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, or legally enforceable payments required in connection with the Agency's employees, including, but not limited to, pension payments, pension obligation debt service, and unemployment payments.
4. Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency.
5. Any legally binding and enforceable agreement or contract that does not violate the Agency's debt limit.
6. Contracts or agreements necessary for the continued administration or operation of the Agency.

### **BUDGET/FISCAL IMPACT**

As the "Successor Agency" to the Montebello Redevelopment Agency, the City would incur certain administrative costs. AB 1X 26 provides that a Successor Agency is entitled to \$250,000 per year, for administrative costs, subject to approval of the Oversight Board. The liability of the Successor Agency is capped in the amount of the total property taxes received by the Successor Agency plus the total assets transferred to the Successor Agency from the former Community Redevelopment Agency. Pursuant to AB1484, certain activities (e.g., ongoing litigation) are no longer identified as administrative charges and capped at \$250,000. These items are now allowed as a separate line item on the ROPS. Staff will identify these items as part of the verbal presentation at the Oversight Board meeting.

### **RECOMMENDATION**

It is recommended that the Oversight Board: Adopt the resolution approving the Recognized Obligations Payment Schedule (ROPS 3) for the period of January 1, 2013 to June 30, 2013.

### **ATTACHMENTS**

1. Recognized Obligations Payment Schedule
2. Oversight Board Resolution